

Message Text

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51

ACTION ARA-10

INFO OCT-01 IO-10 ISO-00 ARAE-00 INRE-00 SSO-00 NSCE-00

USIE-00 ERDA-07 AID-05 CEA-01 CIAE-00 CIEP-02 COME-00

DODE-00 EB-07 FEAE-00 FPC-01 H-02 INR-07 INT-05 L-03

NSAE-00 NSC-05 OMB-01 PM-03 SAM-01 OES-05 SP-02 SS-15

STR-04 TRSE-00 FRB-01 PA-02 PRS-01 ERDE-00 /101 W

----- 062555

O R 051605Z JUN 75

FM AMEMBASSY BUENOS AIRES

TO SECSTATE WASHDC IMMEDIATE 1421

INFO USDEL MTN GENEVA

AMEMBASSY SANTIAGO

AMEMBASSY ASUNCION

AMEMBASSY MONTEVIDEO

AMEMBASSY BRASILIA

AMEMBASSY LA PAZ

UNCLAS BUENOS AIRES 3822

PASS TREASURY

PASS COMMERCE

E.O. 11652: N/A

TAGS: ETRD, AR, ENRG, EFIN

SUBJECT: NEW ECONOMIC MEASURES-DEVALUATION, ENERGY PRICE
INCREASES.

1. SUMMARY: GOA LAST NIGHT ANNOUNCED SUBSTANTIAL DEVALUATION
AND SIGNIFICANT INCREASES IN ENERGY PRICES. ACCORDING TO ECONOMY
MINISTER CELESTINO RODRIGO, MAJOR CHANGES IN CREDIT AND INTEREST
RATES WILL BE ANNOUNCED IN NEAR FUTURE. END SUMMARY.

2. JUNE 4, AFTER ONLY THREE DAYS IN OFFICE, NEW ECONOMY MINISTER
CELESTINO RODRIGO ANNOUNCED MAJOR DEVALUATION, SHARP HIKE IN
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ENERGY PRICES, AND SAID MODIFICATION OF CREDITY SYSTEM AND INTEREST

RATE INCREASES WILL BE IMPLEMENTED SHORTLY. PUBLIC SECTOR TRANSPORT RATES ALSO WILL HAVE TO BE INCREASED SOON AND OTHER SUBSTANTIAL CHANGES MAY WELL BE FORTHCOMING. ACCORDING TO RODRIGO, PURPOSES OF NEW MEASURES ARE TO IMPROVE TRADE ACCOUNT, HELP TREASURY FINANCE AND PROMOTE DOMESTIC SAVINGS.

3. DEVALUATION - GOA DVALUED BASIC FINANCIAL RATE BY 100 PERCENT FROM 15 PESOS PER DOLLAR TO 30 PESOS PER DOLLAR. THIS WAS MORE THAN HAD BEEN EXPECTED. COMMERCIAL RATE RAISED FROM 10 PESOS PER DOLLAR TO 26 PESOS PER DOLLAR. TOURIST DOLLAR RAISED FROM 25 PESOS PER DOLLAR TO 45 PESOS PER DOLLAR, INCLUDING SPECIAL TAX OF 4 PESOS PER DOLLAR. ACCORDING TO PRESS, GOA WILL SEND TO CONGRESS BILL WHICH WOULD RAISE SPECIAL TOURIST TAX TO NO LESS THAN 50 PERCENT OF TOURIST EXCHANGE RATE. EFFECTIVE RATE FOR IMPORTS AND EXPORTS NOT YET CLARIFIED. REPORTEDLY, TAXES AND SUBSIDY RATES WILL BE REVISED WITH NEW PRODUCT LISTS TO BE PUBLISHED SHORTLY.

4. GASOLINE - GASOLINE, KEROSENE AND GAS OIL PRICES RAISED SIGNIFICANTLY. REGULAR GASOLINE UP FROM 4.80 PESOS/LITER TO 13.50 PESOS PER LITER (\$1.21 PER GALLON TO \$1.70 PER GALLON) AN INCREASE OF 183 PERCENT PESOS. SPECIAL GASOLINE RAISED FROM 5.50 PESOS PER LITER TO 15 PESOS PER LITER (\$1.40 PER GALLON TO \$1.89 PER GALLON), UP 173 PERCENT IN PESOS. KEROSENE JUMPS FROM 1.20 PESOS PER LITER TO 1.80 PESOS PER LITER, WHILE GAS OIL INCREASED FROM 1.40 PESOS PER LITER TO 2.10 PESOS PER LITER.

5. GAS AND ELECTRICITY - GAS AND ELECTRICITY RATES ARE ALSO INCREASED SHARPLY. ACCORDING PRESS, GAS FOR FAMILY USE RAISED 40-60 PERCENT WHILE ELECTRICITY FOR RESIDENTIAL CONSUMPTION UP 40-50 PERCENT. FOR INDUSTRIAL AND OTHER PURPOSES, GAS AND ELECTRICITY RATES RAISED 70-75 PERCENT.

6. CREDIT AND INTEREST - NO SPECIFIC NEW MEASURES ANNOUNCED YET, BUT ECONOMY MINISTER GAVE PREVIEW OF REFORMS TO BE IMPLEMENTED. LOANS FROM OFFICIAL BANKS 'BANCO DE LA NACION AND BANCO DE DESARROLLO), WILL INCLUDE INFLATION ADJUSTMENT CLAUSES IN FUTURE. INTEREST RATES FOR LOAN AND SAVINGS WILL BE INCREASED SUBSTANTIALY.

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ECONOMIC CONDITIONS, ENERGY, PRICE TRENDS, DEVALUATIONS
Control Number: n/a
Copy: SINGLE
Draft Date: 05 JUN 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975BUENOS03822
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750196-1185
From: BUENOS AIRES
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750675/aaaacqjk.tel
Line Count: 107
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION ARA
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: greeneet
Review Comment: n/a
Review Content Flags:
Review Date: 27 FEB 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <27 FEB 2003 by PhilliR0>; APPROVED <30 JAN 2004 by greeneet>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
06 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: NEW ECONOMIC MEASURES-DEVALUATION, ENERGY PRICE INCREASES.
TAGS: ETRD, ENRG, EFIN, AR, (RODRIGO, CELESTINO)
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006